

Message Text

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70

ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-02 INR-09 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-14

STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 SAL-01 OMB-01

OIC-04 RSR-01 /182 W
----- 012667

R 091545 Z MAR 73
FM AMEMBASSY BONN
TO SECSTATE WASHDC 3780
INFO AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION GENEVA

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DEPT PASS AGRICULTURE

E. O. 11652: GDS
TAGS: EAGR GW
SUBJECT: GRAIN PRICE AND AGRICULTURAL TRADE POLICY

1. BEGIN SUMMARY - ON TWO OCCASIONS THIS WEEK THE AGATT
HAS DISCUSSED UPCOMING NEW CROP EC GRAIN PRICE DECISIONS
WITH FRG OFFICIALS AND EXPRESSED US OPPOSITION TO PRICE
INCREASES OR OTHER INCENTIVES TO FURTHER EXPAND CORN PRO-
DUCTION IN THE EC. THE MEETINGS WERE WITH UNDER SECY
ROHR OF THE MINISTRY OF AGRICULTURE AND WITH DR. STREHLKE,
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ACTING ASST SECY FOR ECON AND FINANCIAL POLICY, FEDERAL CHANCELLORS OFFICE. ON BOTH OCCASIONS THE ATTACHE WAS ASSURED THAT VERY SMALL OR NO PRICE INCREASES ARE EXPECTED. END SUMMARY

2. UNDER SECY ROHR STATED THAT GRAIN PRICE INCREASES ARE NOT EXPECTED BECAUSE OF OPPOSITION FROM OTHER MEMBER STATES. ROHR INDICATED, HOWEVER, THAT THIS MAY BE THE YEAR THE SPECIAL LEVY REDUCTIONS FOR CORN IMPORTED INTO ITALY WILL BE LOST. HIS REASONING RELATES TO INCREASED WORLD PRICES AND GENERALLY REDUCED LEVIES FOR GRAINS.

3. ALTHOUGH MINAG OFFICIALS ARE PUBLICLY DISCUSSING MORE AND MORE THE DISADVANTAGES OF EXPECTED INCREASED GRAIN PRODUCTION AND DECREASED GRAIN CONSUMPTION IN THE NEW MEMBER STATES RESULTING FROM PRESENT EC PRICE POLICIES, THEY ARE STILL UNWILLING TO PROPOSE POLICY MODIFICATIONS FOR GRAIN. ROHR IS NO EXCEPTION AND CITES THE LARGE NUMBER OF PART- TIME FARMERS, WHO HAVE GONE INTO EXTENSIVE GRAIN PRODUCTION ON SMALL ACREAGES, AS JUSTIFICATION FOR A CONTINUED HIGH PRICE GRAIN POLICY.

4. STREHLKE CONTENTS THERE CAN BE NO TALK IN GERMANY OF GRAIN PRICE REDUCTIONS BUT STATES THAT ANY PRICE INCREASES WILL BE VERY, VERY SMALL.

5. STREHLKE ALSO INDICATED THAT THE FRG IS WELL ALONG IN FORMULATING ITS POSITION FOR THE UPCOMING GATT NEGOTIATING ROUNDS. PRESENT THINKING IS THAT AGRICULTURAL ISSUES SHOULD BE NEGOTIATED SEPARATELY AND, SECONDLY, THAT THERE SHOULD BE INCREASED ATTENTION TO LONG- TERM COMMODITY AGREEMENTS. STREHLKE MENTIONED SPECIFICALLY THAT ONE OF THE FEDERAL REPUBLIC' S AND EC INTERESTS IS TO NEGOTIATE FOR A BETTER ACCESS OF MILK AND DAIRY PRODUCTS INTO THE U. S. THESE PRODUCTS WERE ASSOCIATED WITH THE PROBABLY HARD NEGOTIATING POSITION THAT WOULD BE TAKEN ON GRAIN PRICES BY THE US SIDE. HE SUGGESTED A POSSIBLE QUANTITATIVE EC ACCESS GUARANTEE WHICH SOUNDED STRANGELY REMINISCENT OF EC KENNEDY ROUND PROPOSALS.

6. ON THE COMMODITY AGREEMENTS, STREHLKE EXPRESSED DISSATISFACTION WITH THE CURRENT COFFEE AND COCOA AGREEMENTS. LIMITED OFFICIAL USE

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MENTS AND THE BREAKDOWN OF THE GRAIN AGREEMENT. STILL THE

INTEREST TO REKINDLE COMMODITY AGREEMENT THINKING PER-
VADES THE FEDERAL REPUBLIC.

7. THROUGHOUT THE DISCUSSION, STREHLKE ACKNOWLEDGED THE
INTERRELATIONSHIPS OF CURRENT US BALANCE OF PAYMENT PROB-
LEMS, TRADE RELATIONS AND MONETARY POLICIES AND INCLUDED
ALSO REFERENCE TO NATO FORCES ETC. HOWEVER, NOTWITHSTAND-
ING THESE INTER- RELATIONSHIPS, STREHLKE MAINTAINS THAT EC
AGRICULTURAL ISSUES CAN ONLY BE SOLVED ON A LONG- TERM STEP
BY STEP BASIS INVOLVING A SLOW TRANSITION FROM A PRICE
ORIENTED TO AN INCOME ORIENTED POLICY. HILLENBRAND

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